Kiribati National Audit Office

Promoting Transperancy and Accountability

For the Parliament and People of Kiribati

Auditor-General Report on The Accounts of the Government of the Republic of Kiribati for the Year Ended 31 December 2008

Part 2: Revenue and Expenditure Government of Kiribati Ministries.

Contents

1. EXECUTIVE SUMMARY

1.1. Introduction

The audit of government ministries/offices for year ended 31st December 2008 has been completed and the result of such audit is provided below. The audit was conducted in accordance with generally accepted auditing standard and the international auditing standard. It should also be emphasised that the audit was conducted after 30th June 2009. This is however, not a good timing for the audit as it would take another six months before it can be presented to parliament**.**

1.2. Audit Scope

Our audit aimed to find out how well ministries/offices have utilized or managed their approved budget for 2008 and focused mainly on the comparison of the followings:

1. Revenue estimate against actual revenue collections,
2. Expenditure estimate against actual amount spent, and
3. Supplementary Appropriations approved and the revised budget.

Large variances noted from the comparison are further examined by obtaining relevant source or accounting documents from MFED and other ministries concerned.

1.3. 2008 Expenditure and Revenue Budget

As a normal practice in all democratic countries worldwide, Government has to prepare and approve a budget for each year. In Kiribati the budget is normally discussed and approved by Te Maneaba ni Maungatabu at the end of each year. In its session held in December 2007, Te Maneaba Ni Maungatabu approved the 2008 expenditure and revenue budget for $82,679,886 and $61,840,620[1], respectively.

1.4. 2008 Approved Supplementary Budget

It is also a practice that ministries would face insufficient budget during the year due to unexpected, but necessary, expenses that government should finance. This has led ministries to ask for supplementary appropriation.

- The first supplementary appropriation (No.1)2 for some ministries, including a contribution to the Development Fund and Other government expenses, approved by parliament amounted to $879,915,
- The second appropriation (No 2)3 passed by Te Maneaba ni Maungatabu totalled $4,017,9774, and
- The third supplementary appropriation approved amounted to $2,331,945.

Thus the three supplementary appropriations have therefore increased the 2008 original budget expenditure from $82,679,886 to $89,909,723. It was noted however, that despite these supplementary appropriations, the actual expenditure still exceed the revised budget by over $8.8m net[5].

[1] Kiribati Government 2008 Budget as approved by Te Maneaba ni Maungatabu: 20/12/2007
[2] Supplementary Appropriation No. 1- April 2008
[3] Supplementary Appropriation No.2 – August 2008
[4] Supplementary Appropriation No 3 – December 2008
[5] Over Expenditure $14.3m less Saving of $5.5m

1.5. Findings

The audit of the 2008 accounts and in particular, the audit of revenue and expenditure in respect of Ministries/Offices has highlighted the following audit findings.

Note: the term Accountable Officer (AO) has been used in this report[6] as the officer responsible.

1.5.1. *Unauthorised Expenditure*

As detailed in the 2008 Annual Account, the total actual expenditure of $98,708,258 exceeds the revised budget by $8,798,540 net[7]. According to the 2008 annual account, five ministries/offices together with the debt servicing account have contributed to such an unauthorised expenditure as follows:

Names	Revised Budget	Actual Expenditure	Over /unauthorised
Public Service Commission	$214,928	$219,601	$4,673
Maneaba ni Maungatabu	$2,266,482	$2,586,153	$155,599
Health & Medical Services	$14,890,094	$17, 640,681	$2,750,587
Finance & Economic Development	$2,473,658	$2,562,159	$88,501
Lines & Phoenix Island Dev	$3,293,100	$3,339,406	$46,306
Debt Servicing Expenses	$656,750	$8,200,848	$7,544,098
Total over/unauthorised			**$10,592,764**

1.5.2. *Debt Servicing Expenses*

As disclosed in the table above, the total unauthorised expenditure is well over $10 m and 71 % of it is the Debt Servicing Expense. Transactions posted to Debt Servicing account comprises of payments for ADB Loan, Saphe projects, O/S JPY Comm & O/Draft Interest and the Interest and Principal. The total amount for O/S JPY charges has increased from $7.2m (2007) to $7.86m in 2008. Refer to para 2.20 below for more details.

1.5.3. *Ministry of Health and Medical Services*

The second largest contributor to the above unauthorised expenditure was the Ministry of Health and Medical Services. As per table above, the MHMS contributes about 26 % to the unauthorised expenditure, i.e. $2.75m. Despite having being approved with its supplementary appropriation by Te Maneaba ni Maungatabu in August and December 2008 amounted to $1,784,157, MHMS still ended up with an excessive over –expenditure. Other anomalies detected are detailed in para 2.13 below.

1.5.4. *Other Ministries / office with unauthorised expenditure.*

Other ministries/offices with unauthorised expenditure are: Public Service Commission, Maneaba, MFED and MLPD. These unauthorized expenditures simply reflect the fact that some ministries could not comply with the Law (i.e. Budget) passed by the Maneaba ni Maungatabu.

---

[6] Under the Finance (control and Audit) Ordinance 1974 the accountable officer is any public officer appointed under the provisions of the ordinance and charged with the duty of accounting for any service in respect of which moneys have been appropriated. This is normally the Secretary of the Ministry.
[7] Refer to Appendices C & D

1.5.4.1. Recommendation:
Strictly complying with the Law (Budget) is paramount and thus all AO are always required to operate within the approved budget.

1.5.5. *Supplementary Appropriation approved partly used up.*

Some of the approved supplementary appropriations for certain ministries/offices have been partly used nor used up at all. Refer to Ministry of Internal and Social Affairs and Ministry of Communication, Transport and Tourism.

1.5.5.1. Recommendation
AO must submit to the MFED the exact amount required for their supplementary budget.

1.5.6. *Understatement of Actual Expenditure*

Included in some of the actual expenditures in respect of some ministries, were credits figures, which have been incorrectly posted and has therefore resulted in the understatement of the actual expenditure by $41,811. Taking into account such error, the actual expenditure for 2008 would increase to $98,750,069. Please refer to appendix D for details.

1.5.6.1. Recommendation
AO must ensure that no credit figures are posted as actual expenditures.

1.5.7. *Understatement of Revised Budget*

The revised budget in respect of some ministries and other outputs includes credit figures amounted to $27,478. As a result, the revised budget has therefore been understated and it should be adjusted to $89,927,186. Detail is in Appendix D of the report.

1.5.7.1. Recommendation
AO must ensure not to post any credit figures under the revised budget.

1.5.8. *Actual Expenditure not budgeted*

Audit noted that some of the actual expenditures were not budgeted for. Refer to MISA, MELAD.

1.5.8.1. Recommendation;
AO must not inject provisions or make internal transfer to sub heads which have no original/revised budget.

1.5.9. *Overspending caused by Internal transfer*

Overspending in some ministry/offices' sub heads, as far as the management report is concerned, were resulted from internal transfers. These transactions were reflected in the management report in respect of OB, Police and Prison, PSC, MISA, MELAD, MCTT.

1.5.9.1. Recommendation:
AO must ensure that sub heads/ expenditure are not overspent after being cut by internal transfers.

1.5.10. *Irrelevant outputs disclosed under some ministries/offices*

Audit notes that some programs are still disclosed under some ministries even though they are no longer carried out by them**.** To make things worse, these irrelevant outputs some ministries still incur expenses. It should be noted, however, that this has been the case from previous years**.** Refer to management report for OB, PSC, MCIC, MISA, MELAD, OAG, MHMS and ME**.**

1.5.10.1. Recommendation:

The AO should ensure that the management report must disclose only programs that were incorporated in the approve budget or those actually carried out by Ministries/Offices**.**

1.5.11. *Poor Revenue Collection*

Some ministries have not been very efficient in collecting their revenue as per approved revenue estimate**.**

2. Government Ministries

Apart for the audit scope above, an analysis of revenues and expenditure, in respect of all ministries/offices' outputs and other government expenses as disclosed in the management report together with the result of the audit carried out in some ministries / offices are provided below.

2.1. Office of Te Beretitenti

2.1.1. *Revenue*

The actual and revenue estimate of the above office is shown in the table below.

	2008	2007
Estimate	0	0
Actual	648	-4,038
Over/(under)	-648	4,038

The revenue for the Office of Te Beretitenti (OB) of $648, as shown in the table above was incorrect as the Office of Te Beretitenti, according to 2008 Budget, is not expected to generate revenue to the consolidated fund.

2.1.2. *Expenditure*

Presented below is a comparison between the estimate and the actual expenditure in respect of the Office of Te Beretitenti for years 2007 and 2008.

	2008	2007
Estimate	1,083,617	1,079,294
Actual	1,004,894	908,073
(Over)/under	78,723	171,221

The OB reported a net saving of $78,723 (2007: $171,221). The OB still discloses in its management report output, which are not incorporated in the approved 2008 Budget.

2.1.3. *Other Audit Findings*

The following findings are as a result of our audit work in March 2009.
At this stage no management comments have been received from the OB.

2.1.3.1. PROCUREMENT

It was found that the AO and HODs were not adequately fulfilling their responsibilities particularly with respect to procurement up to the value of $5000 in that:

- Staff were not adequately aware of their roles and responsibilities,
- There was little or no training provided to staff,
- There was inadequate supervision, and
- The system to maintain procurement records was lacking.

Specifically with procurement up to the value of $5000 there were a number of instances where the procurement manual was not followed. Furthermore there were instances where there was inadequate evidence to substantiate that goods and services were received.

Recommendation
The AO and HODs of the OB should fulfil their procurement responsibilities.

2.1.3.2. STORES

The AO is not fulfilling their responsibilities under the Stores Regulations. In particular:

- There was little or no supervising stores and duties of staff involved in stores
- The AO was not undertaking independent checks
- The Chief Accountant has not issued a stock verifier program nor maintains a register of verifications undertaken.
- The stores register (asset register) was found to be not properly maintained. For instance there were assets purchased in 2008 that had not been recorded in the Asset register
- This was confirmed via physical count by the KNAO on the 16/03/09 at OB and found that additions and disposals were not adequately recorded in the Asset register which indicates a very poor control over stores.
- There were no stores records maintained for expendable items.

Finally there was no evidence of a Board of Survey (BOS) (or any subsequent action taken) undertaken at the OB. The Internal Audit of the MF&ED advised that a BOS was conducted and a report issued to the OB but they cannot provide a copy. Whilst the OB that they have not received a report, the AO should be active in ensuring that this was done.

Recommendation: The AO of the OB should fulfil his stores responsibilities.

2.1.3.3. Vehicle Log book

The vehicle log book has not been opened and used in 2008 and to date of the following vehicles: BTC 1, BTC 2 and BTC 30.

The vehicles have been provided for officers for official routes and therefore without the log books, it indicates a very poor control.

Recommendation: The log book be used and maintained properly for monitoring over the movement of vehicles under the control of the OB.

2.1.3.4. Temporary Assistance

A temporary staff (relieved house maid) had been paid on level 16/1 instead she would be paid on level 18/1 as a starting point.

Accordingly, it could be noted as incompliance with NCS for temporary appointments and could cause a salary over payment.

Recommendation: That recovery action be taken immediately, and in the future, the AO should thoroughly check all appointments.

2.1.3.5. LPO register

The LPO register was not maintained/ up-to date. There were LPO books issued from OB not recorded in the register. In this case the OB has not complied with the Financial Regulation in that all accounting books should be recorded for a particular accounting period and shall be returned to OB (used and un- used).

Recommendation: That the AO properly maintain the LPO register in order to keep track on used and un-used LPO books within a particular accounting period.

2.2. Public Service Office

The approved estimate and the actual expenditure in respect of the Public Service Office (PSO) for 2008 and 2007 are presented below.

2.2.1. *Expenditure*

	2008	2007
Estimate	1,052,441	1,047,296
Actual	1,049,592	1,001,065
(Over)/under	2,849	46,231

The Public Service Office reported a net saving of $2,849, which more realistic than last year. According to a management report three (3) of its outputs were overspent as per Appendix B. PSO still includes in its management report outputs which are not incorporated in the approved 2008 budget.

2.2.2. *Other Audit Findings*

The following findings are as a result of our audit work in March 2009.
At this stage no management comments have been received from the PSO.

2.2.2.1. PROCUREMENT

It was found that the AO and HODs were not adequately fulfilling their responsibilities particularly with respect to procurement up to the value of $5000 in that:

- Staff were not adequately aware of their roles and responsibilities,
- There was little or no training provided to staff,
- There was inadequate supervision, and
- The system to maintain procurement records was lacking.

Specifically with procurement up to the value of $5000 there were a number of instances where the procurement manual was not followed. Furthermore there were instances where there was inadequate evidence to substantiate that goods and services were received.

We were advised by AO that an internal procurement form was developed and the AO are to be commended for this. However the AO should ensure that staff, maintain these forms with the relevant procurement documentation.

Recommendation
The AO and HODs of the PSO should fulfil their procurement responsibilities.

2.2.2.2. STORES

The AO is not fulfilling their responsibilities under the Stores Regulations. In particular:

- There was little or no supervising stores and duties of staff involved in stores.
- The AO was not undertaking independent checks.
- The Chief Accountant has not issued a stock verifier program nor maintains a register of verifications undertaken.
- The stores register (asset register) was found to be not properly maintained. For instance there were assets purchased in 2008 that had not been recorded in the Asset register.

- This was confirmed via physical count by the KNAO on the 16/03/09 at PSO and found that additions and disposals were not adequately recorded in the Asset register which indicates a very poor control over stores.
- There were no stores records maintained for expendable items.

Finally there was no evidence of a BOS (or any subsequent action taken) undertaken at the PSO. The Internal Audit of the MF&ED advised that a BOS was conducted and a report issued to the AO but they cannot provide a copy. Whilst the AO advised that they have not received a report, the AO should be active in ensuring that this is done.

Recommendation The AO of the PSO should fulfil their stores responsibilities.

2.2.2.3. VEHICLE LOG BOOK

The vehicle log book have not been opened and used in 2008 for the following vehicles 1) Mini bus BTC 597, and 2) Saloon car BTC 58.

The vehicles were provided for official routes only and without the log book it indicates particularly poor control over the use of these vehicles.

Recommendation That vehicle Log books be opened, used immediately and be subject to purview to ensure that the log books are well maintained.

2.2.2.4. LPO REGISTER

The LPO register was not maintained/ up-to date. There were LPO books issued from MFED not recorded in the register.

In this case the Financial Regulations have not been complied with, in that all accounting books should be recorded for a particular accounting period and shall be returned to MFED (used and un- used).

Recommendation: That the AO maintain a LPO register in order to keep track on used and un-used LPO books within a particular accounting period.

2.2.2.5. TELEPHONE CALLS

There were calls from office to mobile phones deemed un official valued to $ 166.84 and overseas calls valued to $489.00 for months of December 07, January 08 and May 08 respectively. It could be observed that there were single calls had been significantly huge and assumed to be private. It is therefore recommended that the responsible officer will try to identify these calls and make recoveries from staff of his/her call.

Recommendation
The AO should endeavour to identify which are official and un-official calls and advised this office of the findings. Officers involved with un-official calls should be charged and make settlement. Furthermore the AO should instigate controls to address this concern i.e.

- *To lock calls to mobiles,*
- *To reduce the number of telephones that can call out directly,*
- *General use telephones be linked through the switch board. Staff will book their calls and these be recorded by the PA or other staff at the switch board via a register.*

2.3. Judiciary

2.3.1. *Revenue*

Given below is the comparison of the approved estimate against actual revenue collected for 2008 and 2007.

	2008	2007
Estimate	69,000	69,000
Actual	277,481	90,611
(Over)/under	-208,481	-21,611

As shown, this Office's collection for 2008 was far exceeding its revenue estimate by $208,481 (2007: $21,611). As the variance is quite substantial, it is imperative for the Judiciary to revise its revenue estimate by increasing it to $200,000. Appendix A shows a shortfall in one of its outputs revenue.

2.3.2. *Expenditure*

	2008	2007
Estimate	1,435,946	1,358,818
Actual	1,341,353	1,404,256
(Over)/under	94,593	-45,438

As summarised above, the actual expenditure for Judiciary for 2008 was down by 4 % when compared to 2007 and this had resulted in a net saving of $94,593. The net saving of $94,593 has led us to question the Judiciary's approved supplementary of $74,600 in August 2008. After reviewing the allocation of its supplementary however, it was noted that the Judiciary's account section seems to have made some anomalies as detailed in the table below.

Sub Head Expense	Approved Supplementary ($)	Supplementary Spent ($)	Supplementary (over)/under: ($)
1101 – 30 Internal travel	25,900	31,649	(5,749)
1101 – 64 Telecom	27,400	25,050	2,350
1101 – 67 Electricity	17,100	16, 780	320

As clearly stated in the above table, the Judiciary should have revised its estimate by adding $25,900 to Internal travel revise estimate and not $31,649. $27,400 should have been added to Telecom revised estimate and not $25,050 and the revised estimate for electricity should be increased to $17,100 and not $16,780. Additionally, based on the management report[8], the actual spending for three inputs as per table above was far below their revised estimate, which is contradicting the whole purpose of the supplementary. In other words, the supplementary being sought and approved was not necessary given the significant net saving at the end of 2008. One of its outputs was overspent as per appendix B.

[8] Management Report compiled by Accounting Division: MFED

Audit Findings based on the audit conducted at the Judiciary office during April – May 2009, on the financial records for 2008 are as follows.

Overall it was found that there are some irregularities and system weaknesses that require immediate action to rectify so as to improve the system of internal controls.

2.3.3. *Other Audit Findings*

2.3.3.1. PROCUREMENT

It was found that the AO[9] and HODs were not adequately fulfilling their responsibilities particularly with respect to procurement up to the value of $5000 in that:

- Staff were not adequately aware of their roles and responsibilities,
- There was little or no training provided to staff,
- There was inadequate supervision, and
- The system to maintain procurement records was lacking.

Specifically with procurement up to the value of $5000 there were a number of instances where the procurement manual was not followed. Furthermore there were instances where there was inadequate evidence to substantiate that goods and services were received.

Recommendation

The AO and HODs of the Judiciary should fulfil their procurement responsibilities.

Management Response:

We feel that we have done all that is necessary for the procurement of goods of services of $5,000 value. We apologized if we missed out anything. But in regards to the need for training we suggest that it'd be organized by the responsible Ministry (MFED), as they are in charge of all procurement processes.

Responsible Officer for Procurement in Judiciary is the Chief Registrar working together with the account section. Every document are prepared and kept by the account section. There was adequate supervision all throughout the procurement processes. The account section has been asked to be more careful in keeping their records in future.

2.3.3.2. STORES

The AO is not fulfilling their responsibilities under the Stores Regulations. In particular:

- There was little or no supervising stores and duties of staff involved in stores,
- The Chief Registrar was not undertaking independent checks,
- The Chief Accountant has not issued a stock verifier program nor maintains a register of verifications undertaken,
- The stores register (asset register) was found to be not properly maintained. For instance there were assets had not been recorded in the Asset register,
- There were assets balances shown in the Asset register but could not sighted. This was confirmed via physical count by the KNAO on the 20/5/09.

The Internal Audit of the MF&ED advised that a Board of Survey (BOS) was conducted and a report issued to the Judiciary but they cannot provide a copy. Whilst the Judiciary advised that they have not received a report, the AO should be active in ensuring that this was done.

[9] In this case the Chief Registrar

Recommendation The AO of the Judiciary should fulfil her stores responsibilities.

2.3.3.3. Vehicle log book 2008

The log book was used by the driver driving the mini bus while other officers provided with vehicles were not used the log book under review as follows,

- Log book was not used for Chief registrar's transport registration no. BTC 37
- Log book was not used by the chauffer for Chief Justice's transport registration no. BTC 577.

Further, the Log book sheets for mini bus were gone missing for months of January to April while we were provided for months from May to December and observed the following:

- There's no record on mileage covered or used in sequence as per trip.
- Some of the routes shown seemed to be private.
- Seemed to be no one checked the driver's log book in order to properly maintain. detect non official routes consequent with fuel consumptions.

Recommendation: The vehicles were provided for official routes only and without the log book it indicates particularly poor control over the use of these vehicles.
That vehicle Log books be, opened/ used immediately and maintained properly.

Management Response: The log book is not necessary for the Chief Justice's vehicle BTC 577. According to our contract of appointment with him, the Government is bound to provide him with a transport for both his official and private needs. BTC 577 is provided for these purposes BTC 37 is provided for the Chief Registrar's transport. This vehicle is also used by the Chief Justice whenever his vehicle was broken down. It is also used for boundary purpose and other office needs. When it was first released to us, it was used by an overseas judge who was here for a week to hear one case. A log book was not used at that time and maybe that is why it continues to be forgotten.

Minibus: For the whole of 2008 we do not have a minibus from PVU. We hired private minibus to pick and drop staff. In January to mid March we hired a Christopher Columbus bus. From mid March to mid April we hired a Toyota bus. We were lucky for they agreed to leave their bus with us for the whole day for our office needs and for a very cheap price. This minibus was then used for boundary and other office purposes. In May this Toyota bus broke down so then onwards we hired other buses. The log book that was sighted by you was for the saloon cars we hired whenever we need extra vehicles for boundary matters.

2.3.3.4. LPO and GRR Register

The LPO and GRR register was not maintained/ up-to date. There were LPO and Receipt books issued from MFED not recorded in the register although there were receipt books found missing.

In this case the Financial Regulations have not been complied with, in that all accounting books should be recorded for a particular accounting period as well a return form will be sent to MFED on used LPO and Receipt books detailing their serial numbers.

Recommendation: The LPO and Receipt register be opened and maintained properly in order to keep track on used and un-used LPO and Receipt books within a particular accounting period.

Management Response: The account section has been asked to open a register for LPO and GRR.

2.3.3.5. Overtime dockets 2008

Staff overtime could not be verified due to the unavailability of overtime docket's which indicates poor control over un- audited accounting documents were not properly kept in a safe place. Therefore, we could not verify the accuracy of overtime paid as shown in the payroll for the selected pay periods of 29/02/08, 20/6/08, 7/11/08 and 9/12/08.

2.3.3.6. Recommendation:

Un-audited accounting documents should be properly kept in a safe place.

Management Response: The keeping of Overtime dockets is the responsibility of the account section. Copies of the dockets can also be found at the MFED. Even that the account clerks have been warned of the importance of keeping these document safely.

2.3.3.7. Temporary Assistance

It was confirmed via their appointment letters that some staff whom were on permanent establishment in the year 2007 but were paid or received their salaries in 2008 from temporary's provisions and could be regarded as a misallocation of salary payment and may resulting an overspent.

Recommendation: The AO should make sure that staff on permanent establishment are paid or received salaries according to appropriate allocation.

Management Response: The misallocation is from the Finance as they have been given copies of the appointment letters from the beginning. Anyway, our account section has asked them to correct these allocations, which to my understanding, have been corrected.

2.3.3.8. Telephone calls deemed un-official

There were calls from office deemed un-official on inmarsat calls valued to $162.07and mobile phones locally valued to $47.57 total up of $209.64. It is therefore recommended that the responsible officer should try to identify these calls and make recoveries from staff of his/her call.

Recommendation: The AO should endeavour to identify which are official and un-official calls and advise this office. Officers involved with un-official calls should be charged and make settlement and the Judiciary should instigate controls to address this concern i.e.

- To lock calls to mobiles,
- To reduce the number of telephones that can call out directly,
- General use telephones should be linked through the switch board and staff should book and record their calls by the PA at the switch board via a register.

Management Response: One of the tasks of our librarian is to look after our telephone bills, to identify private calls and to arrange reimbursement from the responsible officers. She has been doing that since 2007. We have successfully refunded some of our money from some staff who have made private calls. She is doing the same with our 2008 bills. She will continue to do the same until all un-official calls have been identified and refunded. The recommendations, stated in the Audit Report, have already been in place in our system since 2007. With this new system we have managed to reduce our phone bills to a reasonable amount. All calls are monitored by the switchboard. Calls to mobiles are restricted. We only allow calls to our office mobiles and some private mobiles if the need is official and very urgent.

2.4. Police and Prison

2.4.1. *Revenue*

The approved estimate and the actual revenue in respect of Police and Prison for 2008 and 2007 are presented below.

	2008	2007
Estimate	58,200	68,300
Actual	36,796	39,094
Over/(under)	21,404	29,206

The 2008 approved revenue estimate for the Police and Prison was reduced by 15 % when compared to 2007 approved estimate. Obviously, its revenue estimate should be cut further in order to be more realistic. The actual revenue, as far as the management report is concerned, reflects a declining trend, which necessitate a further cut to its revenue estimate otherwise this office should strengthen and improve its collection procedures. Shortfall in one of its revenue outputs is detailed in Appendix A of the report.

2.4.2. *Expenditure*

Presented below is the comparison of the approved and the actual expenditure in respect of the Police and Prison.

	2008	2007
Estimate	6,627,210	6,573,155
Actual	6,602,774	6,460,198
(Over)/under	24,436	112,957

The Police and Prison reported a net saving in 2008 of $24,436 (2007: $112,957). It has to be noted however, that such saving is subject to change as some of the actual expenditures were being disclosed as credits instead of debit balances. An expenditure item is normally disclosed as a debit balance. These credit transactions are added up to $8,363 and details are provided in appendix D. Despite having a net saving, three (3) of KPS's outputs exceed the revised budget as detailed in appendix B.

2.5. Public Service Commission

2.5.1. *Expenditure*

The comparison of the approved and the actual expenditure of the Public Service Commission (PSC) is presented below.

	2008	2007
Estimate	214,928	214,045
Actual	219,601	166,660
(Over)/under	-4,673	47,385

The actual expenditure in respect of PSC for 2008 exceeds its estimate by $4,673 (2007: net saving of $47,385). Such overspending is caused by over expenditures of output detailed as per Appendix B. This is one of unauthorised expenditures, representing 0.04% of the total unauthorised expenditure.

2.5.2. *Other Audit Findings*

The following findings are as a result of our audit work in March 2009.
At this stage no management comments have been received from the AO.

2.5.2.1. PROCUREMENT

It was found that the AO and HODs were not adequately fulfilling their responsibilities particularly with respect to procurement up to the value of $5000 in that:

- Staff were not adequately aware of their roles and responsibilities,
- There was little or no training provided to staff,
- There was inadequate supervision, and
- The system to maintain procurement records was lacking.

Specifically with procurement up to the value of $5000 there were a number of instances where the procurement manual was not followed. Furthermore there were instances where there was inadequate evidence to substantiate that goods and services were received.

Recommendation The AO and HOD’s should fulfil their responsibilities.

2.5.2.2. STORES

The AO is not fulfilling their responsibilities under the Stores Regulations:

- There was little or no supervising stores and duties of staff involved in stores,
- The AO was not undertaking independent checks,
- The Chief Accountant has not issued a stock verifier program nor maintains a register of verifications undertaken,
- The stores register (asset register) was found to be not properly maintained. For instance there were assets purchased in 2008 that had not been recorded in the Asset register,
- There were no stores records maintained for expendable items.

Finally there was no evidence of a Board of Survey (BOS) (or any subsequent action taken) undertaken by the AO. The Internal Audit of the MF&ED advised that a BOS was conducted and a report issued to the MFA but they cannot provide a copy. Whilst the AOC that they have not received a report, the AO should be active in ensuring that this was done.

Recommendation The AO should fulfil their stores responsibilities.

2.6. Ministry of Foreign Affairs and Immigration

2.6.1. *Revenue*

Given below is the approved and the actual revenue collection in respect of the ministry for years 2008 and 2007.

	2008	2007
Estimate	175,000	155,000
Actual	227,459	219,191
Over/(under)	-52,459	-64,191

The actual revenue for this ministry in both 2007 and 2008 exceed the estimate by $64,191 and $52,459 respectively. Although there was an increase in revenue estimate made in 2008, this is still below the actual revenue collected. It is now become necessary for the ministry to revise its revenue estimate so that such variance is minimised.

2.6.2. *Expenditure*

The comparison of the approved estimate against the actual expenditure in respect of the Ministry of Foreign Affairs and Immigration is presented below.

	2008	2007
Estimate	1,104,618	1,109,378
Actual	974,586	690,046
(Over)/under	130,032	419,332

As can be seen from the above table, the ministry has not been able to use more than $130,000 at the end of 2008 ($419,332 in 2007). The Kiribati High Commission account in Fiji is now being included, but the net saving of $130,032 is still unnecessarily being reflected. According to the management report, an incorrect figure of negative $5,066 (1403-82{relocation expense}) was disclosed and thus distorts the revised estimate figure for 2008 (Refer to Appendix D of the report. It was further noted that one of its outputs is being overspent as detailed in Appendix B.

2.6.3. *Findings of the MFAI audit conducted in April to May 2009*

Overall it was found that there some irregularities and system weaknesses that require immediate action to rectify so as to improve the system of internal controls.

2.6.3.1. PROCUREMENT

It was found that the AO and HODs were not adequately fulfilling their responsibilities particularly with respect to procurement up to the value of $5000 in that:

- Staff were not adequately aware of their roles and responsibilities,
- There was little or no training provided to staff,
- There was inadequate supervision, and
- The system to maintain procurement records was lacking.

Specifically with procurement up to the value of $5000 there were a number of instances where the procurement manual was not followed. Furthermore there were instances where there was inadequate evidence to substantiate that goods and services were received.

2.6.3.2. Recommendation

The AO and HOD's of the MFA should fulfil their procurement responsibilities.

2.6.3.3. STORES

The AO is not fulfilling her responsibilities under the Stores Regulations. In particular:

- There was little or no supervising stores and duties of staff involved in stores.
- The AO was not undertaking independent checks.
- The Chief Accountant has not issued a stock verifier program nor maintains a register of verifications undertaken.
- The stores register (asset register) was found to be not properly maintained. For instance there were assets purchased in 2008 that had not been recorded in the Asset register.
- There were no stores records maintained for expendable items.

Finally there was no evidence of a Board of Survey (BOS) (or any subsequent action taken) undertaken at the MFA. The Internal Audit of the MF&ED advised that a BOS was conducted and a report issued to the MFA, but they cannot provide a copy. Whilst the MFA that they have not received a report, the AO should be active in ensuring that this is done.

2.6.3.4. Recommendation

The AO of the MFA should fulfil their stores responsibilities.

2.6.4. *Kiribati High Commission*

The result audit of the Kiribati High Commission, carried out from 15 to 17 October 2008.

2.6.4.1. Findings

Detailed below are our audit findings raised during our closing meeting with KHC Administration Staff on the 17th October 2008 which had not been resolved adequately as well as those issues which require further action**.**

2.6.4.2. List of Payments without Allocation

Several payments vouchers are without code allocation numbers. This increases the risk of over-spending and indicates poor control over allocation of payment and non-compliance with accounting procedures.

Date	PV #	Amount
24/08/08	171/04	115.36
24/04/08	163/04	2471.81
24/04/08	151/04	315.00
18/04/08	131/04	2471.81
24/04/08	177/04	1941.55
25/04/08	181/04	2471.81
25/04/08	180/04	2471.81
25/04/08	184/04	263.08
30/09/08	93/09	1258.00
30/09/08	92/09	892.00
30/09/08	87/09	28.00
30/09/08	83/09	321.65
23/04/08	202/04	1063.44

2.6.4.3. Recommendation

That adequate recording and monitoring of payment vouchers be undertaken by KHC to ensure payment vouchers are properly allocated.

Management response: We acknowledge the importance of recording all payments made, including the allocations from which the funds were sourced, and this financial procedure has always been adhered to when making all postings to the Ministry of Finance. However, we agree that during the inspection period, the allocation expense codes were not shown on the payment vouchers referred in the report. However, the Third Secretary had provided on the PVs under question, **allocation details** of the funds being used for the payment; that is, MOH, PSO or MEYS funds, and this information is later used by the Third Secretary to fill in the **expense codes** when she does her posting to the Ministry of Finance, to indicate what funds had been used for the payments, that is, whether funds were allocated from the Ministry of Health, PSO, MEYS or other funds.

Two important consideration which minimize the risk of misallocation are: i) the small scope of the financial operation of the High Commission; and ii) the financial record of the High Commission is done by one officer, the Third Secretary, who knows what funds are being used for what payments. For further clarification, the list of all the PVs in question, together with complete details of allocations had all been included in the monthly report during the time of inspection. A print-out of the automated cash book was also handed over to the audit inspection team to confirm that all the PVs referred to have been well recorded in accordance with accounting procedures. I provide hereunder, the queried PVs, showing proper allocations:

Date	PV#	Amount	Allocations
24/08/08	171/04	115.36	E14-03-0000-40A
24/04/08	163/04	2471.81	E23-10-0000-55A
24/04/08	151/04	315.00	E23-10-0000-55A
18/04/08	131/04	2471.81	E23-10-0000-55A
24/04/08	177/04	1941.55	E23-10-0000-55A
25/04/08	181/04	2471.81	E23-10-0000-55A
25/04/08	180/04	2471.81	E23-10-0000-55A
25/04/08	184/04	263.08	E14-03-0000-45A
30/09/08	93/09	1258.00	Others (Fisheries)
30/09/08	92/09	892.00	Others (Fisheries)
30/09/08	87/09	28.00	E14-03-0000-40A
30/09/08	83/09	321.65	E14-03-0000-45A
23/04/08	202/04	1063.44	FNPF Contributions

2.6.4.4. Authorised and Signed by One Officer

As noted during the audit check some vouchers were being authorised and signed for by one officer only. This constitutes non-compliance with accounting procedures and financial regulation, which is susceptible to risk of fraudulent payment. This has been one of audit issues in previous audits.

2.6.4.5. Recommendation:

AO needs to adhere to accounting procedures and regulation.

Management response: I admit that two vouchers were prepared and signed by one officer as reported by the audit team and we acknowledge that this is not proper. However, this was done under pressing circumstances arising from the situation at the time and the shortage of staff, as explained below:

Date	Particulars	PV#	Amount
29/09/08	KHC	91/09	100.00
26/09/08	Tiare & Others	81/09	350.00

PV 91/09 KHC - $100.00 The money was given as the High Commission's standard contribution towards the funeral of the child of Ian and Maryanne Mikaere, a Kiribati couple who reside in Fiji for study purposes. Information was conveyed to the High Commission in the afternoon that the body of the deceased would be transported that evening to Nadi to catch the flight to Tarawa for burial. Both the High Commissioner and First Secretary were out of the office during the time and given that the bank had closed, the Third Secretary was instructed to prepare $100.00 from the office money for the office contribution towards the funeral. The Third Secretary was also instructed to prepare a cheque to the same value for the reimbursement of the $100, and that the prepared cheque would be signed the following day by either the First Secretary or High Commissioner. In preparing the PV for the $100.00 contribution, the Third Secretary signed both the **Prepared by** and **Received by** sections of the PV, which is not in line with accounting procedures. I admit that this was not proper, but was done under pressing circumstances relating to the High Commission's consular responsibilities. However, we wish to assure that we will do our best to ensure this does not happen again. I also wish to confirm that the $100.00 was given to Ian and Maryanne by the High Commission delegation to the funeral, and we have counter-signed the PV as can be seen on the copy provided as an attachment to this report.

PV 81/09 – Tiare and Others - $350.00 This is in connection to a labour charge for fixing and repairing a broken window and securing a door in the First Secretary's residence immediately after her home was broken-in at about 7.30 pm in the evening of September, 2008. The $350.00 labour charge was distributed to the following people accordingly Tiare - $150.00, Awira - $150.00, Kabubuke - $50.00. The money was duly distributed accordingly and certified received by them, as attached.

2.6.4.6. List of Payment Vouchers without Supporting Documents

The following payment vouchers were found to have insufficient supporting documentation.

Date	Particulars	PV	Amount
12/09/08	Sang Kitchen	30/09	1000.00
22/09/08	Bweneata Ioakim	66/09	2355.18
22/09/08	Quality Business Ltd	83/09	321.65
23/04/08	FNPF Contributions of local staff	202/04	1063.44

Recommendation: That the AO should always attach all supporting document to payment vouchers and exercise proper control over supporting documents.

Management response: I agree with the Audit Report that during its inspection, the following payment vouchers did not have sufficient supporting documentation. This is an important accounting procedure that is always observed, but the Third Secretary had not completed this important task by the time the inspection was carried out, due to other pressing commitments. However, this has been addressed as indicated below, and as supported by the attached copies of the payment vouchers in question. We will endeavour to ensure that proper control over supporting documents is maintained promptly and at all times.

2.7. Ministry of Internal and Social Affairs

2.7.1. *Revenue*

Given in the table below is the comparison of the actual revenues collected with the approved estimate for the ministry for 2008.

	2008	2007
Estimate	65,272	97700
Actual	45,903	254,873
(Over)/under	19,369	-157,173

As can be seen from the above table, the collection for 2008 was down significantly by 82 %. Further, despite the reduction in its revenue estimate for 2008, the ministry still finds it difficult to reach its targeted revenue. Shortfall in one of its revenue outputs is detailed in Appendix A of the report.

2.7.2. *Expenditure*

The comparison of approved expenditure estimate against the actual for MISA for years 2008 and 2007 is presented in the table below.

	2008	2007
Estimate	3,150,355	2,569,990
Actual	3,102,545	2,593,860
(Over)/under	47,810	-23,870

The ministry's original estimate for 2008 was $2,729,110, but then increased to $3,150,355 following the approval of its supplementary appropriation by Parliament during the year.

It was noted, however that there were some anomalies noted as follows. First, out of $315,201 – the ministry's approved supplementary appropriation in April 2008 for sub head 1503-70 only $237,362 was actually spent as disclosed in the management report. The remaining balance of $77,839 is therefore considered an excessive portion of the approved supplementary and possibly being internally transferred to other sub heads.

Secondly, the ministry's last supplementary appropriation of $106,044, approved in December 2008 for sub heads: 1501-50, 1501-60 and 1501-64, have again being underspent by the net amount of $2,931 as the amount actually spent was $103,113. Thirdly, both its revised estimates and actual expenditures have been distorted by negative posting of $4,573 and $2,458, respectively, as per Appendix D of the report. Fourth, MISA's management report discloses an actual expenditure of $37,528 (refer sub-head:15-02-50) noted not being budgeted for. Fifth, programs, which are deemed irrelevant to the ministry's activities are still included in the ministry's management report. Finally, despite the saving noted above, overrun on some of its outputs were also reflected as detailed in appendix B.

2.7.3. *Other Audit Findings*

The following findings are as a result of our audit work in March 2009.
At this stage no management comments have been received from MISA.

2.7.3.1. PROCUREMENT

It was found that the AO and HODs were not adequately fulfilling their responsibilities particularly with respect to procurement up to the value of $5000 in that:

- Staff were not adequately aware of their roles and responsibilities,
- There was little or no training provided to staff,
- There was inadequate supervision, and
- The system to maintain procurement records was lacking.

Specifically with procurement up to the value of $5000 there were a number of instances where the procurement manual was not followed. Furthermore there were instances where there was inadequate evidence to substantiate that goods and services were received.

Recommendation
The AO and HODs of the MISA should fulfil their procurement responsibilities.

2.7.3.2. STORES

The AO is not fulfilling his responsibilities under the Stores Regulations. In particular:

- The AO was not undertaking independent checks.
- There was little or no supervising stores and duties of staff involved in stores.
- The Chief Accountant has not issued a stock verifier program nor maintains a register of verifications undertaken.

Finally there was no evidence of a Board of Survey (BOS) (or any subsequent action taken) undertaken at the MISA. The Internal Audit of the MF&ED advised that a BOS was conducted and a report issued to the MISA but they cannot provide a copy. Whilst the MISA advise that they have not received a report, the AO should be active in ensuring that this was done.

Recommendation
The AO of the MISA should fulfil his stores responsibilities.

2.7.3.3. Vehicle Log book

The vehicle log book has not been opened and used in 2008 for the following vehicles.

Log books Not Used

- BTC 6 for Minister
- BTC 35 for Permanent Secretary
- BTC 7777 for Director
- BTC 7462 for Deputy Secretary

Log books Lost

- BTC 620 Mini bus
- BTC 592 Mini bus

The vehicles have been provided for officers for official routes and therefore without the log books, it indicates a very poor control over the use of vehicles.
The audit recommends that the Log books would be opened immediately.

Recommendation: The vehicle Log books be opened and used immediately to ensure that all official routes are recorded and to avoid unnecessary consumption of fuel. Also Log books should be maintained up to date by the responsible users or drivers.

2.7.3.4. LPO and GRR register book

The LPO and the GRR register/ books were not maintained up to date. There were LPOs and receipt books issued to MISA but not recorded in the register.

In this case there has been no compliance with Financial Regulation that all accounting books should be recorded for a particular accounting period. It is also required for control purpose. Similarly, a return form will be sent to MFED on used LPOs and Receipt books detailing their serial numbers, unused ones, etc.

Recommendation: It was recommended that the MISA should properly maintain the separate LPO and GRR register in order to keep track on used and un-used within a particular accounting period.

2.7.3.5. Telephone calls deemed un-official

There were calls from office to mobile phones deemed unofficial valued to $35.57 and inmarsat calls valued to $381.01 for the month January 08 respectively. Similarly, some of un-official calls during the year under review could not be verified as payment vouchers were missing. Also, it was observed that there were single calls had been significantly huge and assumed to be private.

It is therefore recommended that the responsible officer will try to identify these calls and make recoveries from staff of his/her call.

Recommendation: The AO should endeavour to identify which are official and un-official calls and advised this office of the findings. Officers involved with un-official calls should be charged and make settlement.

Furthermore the MISA should instigate controls to address this concern i.e.

- *To lock calls to mobiles,*
- *To reduce the number of telephones that can call out directly,*
- *General use of telephones should be linked through the switch board. Staff will book their calls and these be recorded by the PA or other staff at the switch board via a register.*

2.8. Ministry of Environment, Lands and Agriculture Development

The ministry's approved revenue estimate and its actual revenue collection for 2008 are summarised below.

2.8.1. *Revenue*

	2008	2007
Estimate	216,200	97,700
Actual	312,525	254,873
(Over)/under	-96,325	-157,173

As highlighted above the ministry's actual collection for 2008 and 2007 exceeds the estimated revenue by $96,325 and $157,173 respectively. If this upwards trend is likely to be expected in future then the estimate should be revised to $300,000.

2.8.2. *Expenditure*

The Ministry's actual expenditures for 2007 and 2008 are presented below.

	2008	2007
Estimate	2,692,155	2,664,815
Actual	2,586,153	2,502,776
(Over)/under	106,002	162,039

The ministry's actual expenditure for 2008 and 2007 were below the estimate by $106,002 and $162,039 respectively. It was noted however, that during the Parliament session in August 2008, the ministry was approved a supplementary of $6,000. Since the ministry has come up with a net saving at the end of 2008, it is therefore deemed unnecessary for the ministry to ask for such supplementary, as the Secretary's terminal payment can be met by the recurrent.

The MELARD's provision for some of its sub heads which have been cut by internal transfers have been left overspent. This does not make sense as internal transfer can be made if such sub head has a surplus. The ministry still includes in its management report programs which are not stated in the approved 2008 budget. Appendix B shows three of ministry's outputs (though irrelevant), which are over spent.

2.9. Maneaba ni Maungatabu

2.9.1. *Revenue*

Presented below is the actual collection of revenue versus the estimate.

	2008	2007
Estimate	2500	3000
Actual	3,700	5,150
(Over)/under	-1,200	-2,150

The actual revenue collected for 2008, whilst increased by $1,200 when compared to an estimate, it shows a decrease of 31 % when compared to the actual collection for 2007 of $5,150.

2.9.2. *Expenditure*

The comparison of the actual expenditure with the estimate for 2008 and 2007 is presented in the table below.

	2008	2007
Estimate	2,266,482	1,939,689
Actual	2,422,081	1,887,911
(Over)/under	-155,599	51,778

As highlighted above, the 2008 actual expenditure for Te Maneaba ni Maungatabu exceeded its estimate by $155,599. This is one of the unauthorized expenditures and such is made up of some sub heads, including the internal travel and transport which has been overspent by $110,646. Finally, details of overspent are reflected at Appendix B.

2.10. Ministry of Commerce, Industry and Cooperatives

2.10.1. *Revenue*

The revenue collection for MCIC for 2008 and 2007 is summarised below.

	2008	2007
Estimate	32,260	31,966
Actual	34,697	93,816
(Over)/under	-2,437	-61,850

Whilst the ministry revenue collection for 2008 of $34,697 is over the estimate by $2,437, it is far below the actual collection for 2007 of $93,816. Shortfall of the ministry is detailed in Appendix A of the report.

2.10.2. *Expenditure*

The ministry's actual expenditure and its estimate is summarised below.

	2008	2007
Estimate	1,115,966	1,080,532
Actual	1,062,923	1,246,902
(Over)/under	53,043	-166,370

The ministry shows a net saving of $53,043 at end of 2008 in contrast with its overspending of $166,370 for 2007. According the 2008 approved budget, the ministry's original budget was $1,100,216, but increased by its approved supplementary budget $15,758. It was further noted that from the supplementary approved only $9,941 was used while $5,809 unused. Thus as in the case of other ministries the supplementary approved was not necessarily required. Further, disclosed the MCIC's management report are programs, which are irrelevant to the ministry as they are being taken over by other ministries. Despite its net saving, three of its outputs overrun their estimate as detailed in Appendix B of the report.

2.11. Office of the Attorney General

2.11.1. *Revenue*

The 2008 revenue estimate and actual collection is presented below.

	2008	2007
Estimate	3000	3000
Actual	2,104	1,312
(Over)/under	896	1,688

As can be seen from the above, whilst OAG has shown improvement in its collection for 2008 when compared to 2007, it has yet to reach it target of $3,000. OAG has also reported a shortfall in one of its revenue heads as per Appendix A of the report.

2.11.2. *Expenditure*

The actual expenditure and estimate for 2008 is summarised below.

	2008	2007
Estimate	457,710	454,203
Actual	409,640	400,516
(Over)/under	48,070	53,687

As detailed above, the actual expenditure for 2008 was just below the estimate, resulting in a net saving of $48,070. As in the case of other ministries/offices, the OAG's management report still includes programs which are not stated in the 2008 approved budget or irrelevant to the ministries' approved activities for 2008. Appendix B shows three (including one irrelevant program) of the OAG's outputs which have been overspent.

2.12. Ministry of Fisheries and Marine Resources Development

2.12.1. *Revenue*

The local revenue collection for the ministry for 2008 compared to 2007 is appended below.

	2008	2007
Estimate	99,500	47,200
Actual	93,440	92,405
(Over)/under	6,060	-45,205

As highlighted above the ministry revenue collected in 2008 was slightly higher than the 2007 collection. According to the management report, the ministry's shortfall is reflected in one of its revenue output as detailed in Appendix B.

2.12.2. *Expenditure*

The ministry's actual expenditure and its estimate for 2008 is summarised below.

	2008	2007
Estimate	1,902,127	1,876,982
Actual	1,763,039	1,707,115
(Over)/under	139,088	169,867

The ministry's original budget for 2008 of $1,890,185 was increased during the year to $1,902,127. In August 2008 the ministry's supplementary budget of $11,942 was approved to cater for Secretary's terminal pay, hence the increase in its revised budget. It was further noted that the supplementary was not used for what it was intended for. As in the case of other ministries/offices such supplementary appropriation was not necessary as the ministry ended up with a net saving of $139,088. Again the ministry includes in its management report a program that is not stated in the 2008 approved budget.

2.13. Ministry of Health & Medical Services

2.13.1. *Revenue*

The 2008 revenue estimate and the actual collection for the ministry is summarised below.

	2008	2007
Estimate	141,100	195,610
Actual	90,378	111,795
(Over)/under	50,722	83,815

As can be seen from the above, the actual collection of revenue was down when compared with last year. This may be resulted from the non-collection of revenue from: Nursing services, Tuition fees, Nursing student overseas, Deposit scheme for crutches and Laboratory charges. This is an indicative of the need to strengthening the collection process. Shortfall of revenues is detailed in Appendix B of the report.

2.13.2. *Expenditure*

The 2008 estimate and actual expenditure for the ministry is summarised below.

	2008	2007
Estimate	14,890,094	13,028,219
Actual	17,640,681	14,561,118
(Over)/under	-2,750,587	-1,532,899

The ministry's original budget for 2008 of $13,105,936 was increased to $14,890,094 following the approval of its total supplementary budget of $1,784,157 during the year. That is, $1,100,000 was approved during the Parliament session in August 2008 and $684,157 during the December 2008 session. After review of the management reports, the following anomalies were noted.

1. Names of programs in the 2008 approved budget do not match up with the names as per management report as detailed in a table below:

Program	Management Report	2008 Approved Budget
22-04	Maternal and Children Health	Curative
22-05	Immunization	Laboratory services
22-06	Non Communicable disease Control	Radiology
22-13	Physiotherapy and medical stores	None
22-14	Communicable Diseases Control	None
22-15	Nursing Care & Medical Training	None
22-16	HIV & Aids	None
22-17	Dental Services	22-10

As can be seen from the above table, the ministry's management report still incorporates irrelevant programs as such programs were not stated in the approved 2008 budget. To make things complicated, such approved programs include or incur expenses.

2. The ministry overruns most of its outputs (including irrelevant outputs) as detailed in Appendix B of the report.

3. Apart from 1 above, there were expenses incurred for some programs which are not budgeted for and most of these sub heads have been transacted with negative figures. For example, sub head 22-02-60, 70.

4. Supplementary approved in August for the sum of $20,784 for sub head: 2201-24 was not necessarily required in that such outputs had sufficient fund and reflected at the end of year 2008 a saving of $47,700.

5. Output: 2204-59 was overspent by $34,629 because of the internal transfer of $90,000 to output: 2204-55. Because of the injection of $90,000, sub head 2204-55 disclosed a saving of $12,346.

6. The ministry’s revised budget and its actual expenditure include substantial negative figures as detailed in Appendix D.

2.14. Ministry of Education & Training

2.14.1. *Revenue*

Presented below is the summary of the ministry's 2008 and 2007 revenue collection.

	2008	2007
Estimate	222,850	97,280
Actual	127,047	130,266
(Over)/under	95,803	-32,986

As reflected above, the ministry's collection was slightly down when compared to 2007. The major revenue for this ministry is the school fees from government schools, all government secondary schools including Rurubao primary school. School fees receivable from Rurubao school, according to the 2008 budget was $50,000. This figure is deemed baseless. The actual number of roll call for Rurubao school in 2008 was 205 locals and 24 expatriates. This will give the total revenue of $68,040. Thus the estimate for 2008 should be based on 205 local and 24 expatriate with their school fees of $88 and $120 respectively[10]. Even the actual collection for 2008 of $57,263 does not match the number of roll call in respect of Rurubao primary school.

In 2008, as per management reports, school fees collected from KGV/EBS, of $13,408 was deemed incorrect as such figure is not expected since the school fees are $15 and $50 for day scholar and boarding respectively. Overall the revenue collection is weak in 2008. In view of the analytical review for the two government schools above we believe that the collection was not adequately maintained and thus require improvement. Shortfall of revenues can be seen at Appendix A of the report.

2.14.2. *Expenditure*

The summary of the expenditure for 2008 in respect of MOE is presented below.

	2008	2007
Estimate	21,135,346	20,491,650
Actual	20,641,690	21,022,616
(Over)/under	493,656	-530,966

The ministry's original budget of $20,533,348 was increased to $21,135,346 following the approval of its supplementary appropriation of $602,000. This supplementary was allocated to outputs: 2302 and 2303. It was noted also that a virement of a total amount of $187,000 was made (i.e $50,000 from sub head 2308 and $137,000 from sub head 2310). This virement was used to top up the supplementary already approved for outputs: 2302 and 2303 by $50,000 and $20,000 respectively. The remaining balance of $117,000 was used to increase output 2301. The ministry seems to be enjoying transferring funds from and within its outputs. No overspent except in output 2315 (Youth and Sport) which was deemed to be a misallocation. The Youth and Sport is no longer part of MOH's programs, but still disclosed in MOE's management reports. Some programs which have no estimate noted incurring expenses, which is not right as only those programs stated in the budget should incur expenses. Sub heads such as: 23-01-85, 23-02-25 and 23-08-55 are the classic examples. Over-expenditure in four (including 2 irrelevant outputs) of the ministry's outputs are detailed in Appendix B.

[10] Based on phone conversation (DAG/with Rurubao Head Teacher).

2.15. Ministry of Communication, Transport and Tourism Development

2.15.1. *Revenue*

The revenue estimate and actual for 2008 is presented below.

	2008	2007
Estimate	885121	779180
Actual	1,134,409	693,597
(Over)/under	-249,288	85,583

Whilst the ministry has considerably been making a good effort in collecting its revenue in 2008, there is still a need to improve its revenue collection in some of its programs. As evidenced from the management reports, the ministry had not been able to collect revenue from sub heads 2402-01 and 2405-04 of $20,000 and $500 respectively. Further, shortfalls on some programs were also noted as per table below:

Sub Heads	Budget	Actual	Shortfall
2404-01 Light Dues	6,500	205	6,295
2405-02 Airport Tax	150,000	108,516	41,484
2405-06 ETOAO Revenue	87,000	33,839	53,161
2407-07 Re-direction Fees	760	38	722
2408-01 Local Sales	70,000	25,001	44,999
2408-02 Overseas Sales	15,000	8,421	6,579
2409-01 Printing Charges	120,500	106,696	13,304

The actual revenue collection for airport tax is deemed incorrect as the figure should be divisible by $20. Shortfall of revenue for the ministry includes four revenue outputs as detailed in Appendix A.

2.15.2. *Expenditure*

The 2008 actual expenditure and estimate is summarised below.

	2008	2007
Estimate	3,387,735	3,161,274
Actual	3,370,330	3,310,944
(Over)/under	17,405	-149,670

The ministry's original budget of $3,176,616 was increased to $3,387.735 following the approval of its supplementary budget amounted to $211,120 during 2008. Over-spent for the ministry is reflected in one of its outputs as per Appendix B.

2.16. Ministry of Finance and Economic Development

2.16.1. *Revenue*

The ministry's revenue summary is provided in the table below.

	2008	2007
Estimate	890,050	880,211
Actual	1,091,280	437,457
(Over)/under	-201,230	442,754

As can be seen from the above table there is a substantial increase in revenue collection for 2008 when compared to 2007. Included in the actual collection for 2008 was the amount of $36,579 noted not budgeted for (Refer to 2506-07). If this amount of revenue is likely to be collected in the years to come, then an estimate should be increased to $1,000,000.

2.16.2. *Expenditure*

Presented below is the summary of the estimate and actual expenditure in respect of the Ministry for 2008.

	2008	2007
Estimate	2,473,658	2,451,968
Actual	2,562,159	2,537,079
(Over)/under	-88,501	-85,111

The ministry reported an over-expenditure of $88,501 and $85,111 for years 2008 and 2007 respectively.

2.17. Ministry of Works and Energy

2.17.1. *Revenue*

The ministry's summary for its revenue collection and estimate is presented below.

	2008	2007
Estimate	102,350	102,350
Actual	46,745	201,381
(Over)/under	55,605	-99,031

The ministry's revenue collection for 2008 was poor when compared to 2007. As evidenced from the management reports, such poor performance is caused by 1) three of its revenue items were without any collection at all and 2) collections from most revenue items were far below the estimate. In addition, included in the actual collection for 2008 were collections from revenue items which were not budgeted for. In other words, they are not expected to earn any revenue during 2008. The ministry needs to adequately address such poor performance by strengthening or improving its collection procedures. Shortfalls in revenue are detailed in Appendix A.

2.17.2. *Expenditure*

The ministry summary for 2008 estimate and actual is presented below**.**

	2008	2007
Estimate	2,748,731	2,727,204
Actual	2,448,998	2,671,335
(Over)/under	299,733	55,869

As can be seen above, the ministry has been reporting net savings for 2008 and 2007 of $299,733 and $55,869 respectively. As the net saving is increasing, there is therefore a need for the ministry to consider cutting its budget. However, despite a net saving, the ministry overruns one of its outputs as detailed in Appendix B of the report.

2.18. Ministry of Labour & Human Resource Development

2.18.1. *Revenue*

The summary of the ministry's revenue collection and estimate is appended below.

	2008	2007
Estimate	80,140	80,140
Actual	40,405	43,641
(Over)/under	39,735	36,499

As depicted above, the level of revenue collection seems to be consistent over the last two years. However, such trend is not encouraging as almost half of the total estimate was not collected. Shortfall of revenues is detailed in Appendix A of the report.

2.18.2. *Expenditure*

Summarised below is the ministry's actual expenditure and estimate for 2008 and 2007.

	2008	2007
Estimate	3,166,093	2,786,194
Actual	2,994,140	2,673,040
(Over)/under	171,953	113,154

The ministry's original budget of $3,071,093 was increased by $95,000 being its approved supplementary budget approved by Parliament during its session held in August 2008. As disclosed above the ministry's net savings are $171,953 and $113,154 for years 2008 and 2007 respectively. Despite the net saving in 2008, one of the ministry's outputs was over-spent as per Appendix B.

2.19. Ministry of Line and Phoenix Islands Development

2.19.1. *Revenue*

The summary of the actual revenue collection and the estimate is presented below.

	2008	2007
Estimate	301,800	426,986
Actual	476,542	369,123
(Over)/under	-174,742	57,863

The actual collection exceeds the estimate by $174,742 in 2008 as opposed to last year's shortfall of $57,863. Thus revenue estimate for next year should be based on the actual collection for 2008.

2.19.2. *Expenditure*

The summary of the actual expenditure and the estimate for the ministry for 2008 is appended below.

	2008	2007
Estimate	3,293,100	2,918,092
Actual	3,339,406	2,912,593
(Over)/under	-46,306	5,499

As depicted in the table above, the ministry's actual expenditure exceeded the estimate by $46,306. The original budget of $2,934,274 was increased by the total sum of $358,827 being the approved supplementary budgets approved by Parliament in its sessions of August ($8,827) and December ($350,000) 2008.

The ministry's management reports still disclosed programs: 2903 and 2904, which were not part of its activities nor stated in the 2008 approved budget. Actual expense for sub head 2908-40 is a negative figure and some of its sub heads were over spent due to internal transfer.

Finally, as stated in the management reports, five (5) of the ministry's output were over spent as per Appendix B of the report.

2.19.3. *Findings from MLPID September 2008 audit*[11]

Executive Summary

KEY FINDINGS

- (Para 4.1) MLPID has failed to adequately respond to many of the matters raised in my previous audit reports.
- (Para 4.2) MLPID was ill prepared for our audit.
- (Para 4.3.1) there were anomalies noted with the RBC.
- (Para 4.4) MLPID were not undertaking Board of Surveys nor periodic surprise surveys.
- (Para 4.5) Imprests were not retired in a timely manner.
- (Para 4.6) Arrears of revenue could not be verified and were not vigorously being followed up.
- (Para 4.7) Many asset registers did not exist or for those that did many were incomplete. Annual stocktakes are not being undertaken.
- (Para 4.8) There were overspends of expenditure and shortfall of revenues.

RECOMMENDATIONS

- (Para 4.1) The AO should ensure that the MLPID takes timely action in relation to audit and PAC issues raised. Where matters cannot be cleared the AO should advise my office of this fact.
- (Para 4.2) MLPID should take appropriate action before my audit team arrives to prepare themselves for the audit and have all of the information available for us.
- (Para 4.3.1) MLPID should address the deficiencies with RBC and make adjustments where necessary. As a priority MLPID should establish a complete RBC inwards/outwards register and ensure that this is reconciled to the cashbook and bank on a periodic basis.
- (Para 4.4) MLPID should undertake annual BOS and surprise surveys as detailed in the Finance Regulations.
- (Para 4.5) MLPID should ensure:
  - that a complete list of outstanding imprests is maintained and that this is complete, and
  - that imprests are retired in a timely manner.
- (Para 4.6) MLPID and the Senior Accountant should bring all the Kiritimati Ministries and MLPID Divisions together to formulate a consistent approach to address the deficiencies noted. In particular Financial Instructions should be issued in accordance with section 16 of the ordinance to ensure that there is a vigorous and consistent approach to the follow-up of outstanding amounts.
- (Para 4.7) MLPID should ensure that stocktakes are undertaken as a minimum on an annual basis and that Divisions have asset registers that are up to date and complete. The AO should discharge his stores responsibilities by conducting his/her own checks.
- (Para 4.8) MLPID should ensure that they tightly control their budget versus actual and safeguard their key accounting records.

11 Note management responses to my audit recommendations have not been received to date and attachments not included in this report.

2. General

I have conducted my audit inspection of the Ministry of Line and Phoenix Islands Development and other Divisions (MLPD) in accordance with the relevant statutory provisions and normally accepted auditing standards. It is my responsibility as an auditor to exercise reasonable skills and care with respect to detecting fraud and error.

As a matter of convenience my office also reviewed aspects of a number of other Divisions that do not come under the direct control of the MLPID – such as Taxation, Lands and Tourism. Having said that, it is asserted that the Senior Accountant should be exercising general management and supervision of all accounting operations in Kiritimati on behalf of the Accountant General pursuant to section 11 of the 1974 Finance Regulations (1974 FR).

3. Scope

The audit was carried out at your office's and other Ministries from the 21st to 29th September 2008. Our audit work included:

- review of the No 5 Bank account,
- counting cash on hand,
- review of controls over revenue, stores and other key controls, and
- the examination of accounting records and documents.

4. Audit Findings

4.1 Management Actions in relation to the last audit report

It is of significant concern that the MLPID has failed to adequately respond to many of the matters raised in my previous audit reports. It should be pointed out that MLPID in Kiritimati never actually received my last two audit reports because whilst my office delivered them to the MLPID office in Tarawa, these were never sent on to Kiritimati. Having said that the reports have been discussed at the meetings with the PAC so it cannot be said that MLPID are not aware of the issues.

Unfortunately at the time of the audit the AO was in Tarawa so my audit staff were unable to speak to him about these matters. We however did speak to the DS and Senior Accountant and it was unclear if any robust mechanisms existed to ensure that audit or PAC issues raised were appropriately auctioned between audit periods.

As a minimum we would expect audit and PAC issues to be discussed with the AO at the periodic Divisional head meetings and followed up personally by the AO outside of these meetings until the matters are resolved. Clearly as a part of this the AO may ask the Senior Accountant to assist in the follow-up of these issues however he cannot delegate this responsibility.

If the matters cannot be resolved by the MLPD we would as a minimum expect some reporting back to my office of this fact before the next audit is undertaken.

Recommendations: The AO should ensure that the MLPID takes timely action in relation to audit and PAC issues raised. Where matters cannot be cleared the AO should advise my office of this fact.

4.2 Preparedness for audit

Overall we found that MLPID was ill prepared for our audit and when information was requested it was often either not available at the time or incomplete. For instance even on the last day of the audit in Kiritimati, my office:

- was not provided with a complete list of the house rents,
- whilst a list of outstanding special imprests was provided we did not have time to review this.

As a consequence the overall scope and coverage of the audit was limited because of MLPID's lack of preparedness.

Recommendations: MLPID should take appropriate action before my audit team arrives to prepare themselves for the audit and have all of the information available for us.

4.3 No 5 Bank Account

Under Section 300 FR an officer operating a bank account shall ensure that all sums paid into or debited to that account are promptly recorded in his cashbook. Furthermore under 303 an officer operating a government bank account shall reconcile his cashbook with a bank statement at the close of each month.

Findings

From the previous audit report MLPID have now commenced reconciliations of the No 5 bank account from 2008 and for this, they are to be commended. Audit sighted reconciliations monthly during 2008 in an acceptable format.

The audit found the following anomalies between the figures reflected in the GOK 2008 Annual accounts and the MLPID figures as follows:

	Annual Accounts	**31 Dec 2008 reconciliation from MLPID**
Balance 31 Dec 2007	- $533,197.15	
Receipts	Unknown	
Payments	Unknown	
Balance cash 31 Dec 2008	**OD -$4,643,401.73**	**$ 350,638.25**

Furthermore the majority of the bank statements provided for audit was "interim" and not the final. We were advised by the Senior Accountant that adjustments are made by the Head Office to the No 5 bank accounts and this will be reviewed when my staff return to Tarawa.

Recommendations: Nil

4.3.1 RBC Outward / Inward for 2008

The following observations for RBC are noted below:

<u>Repeat Audit issues</u>

- MLPID still have not established a register for RBC inwards, but have a register for RBC outwards.
- MLPID should ensure that reconciliation between RBC and the bank occurs on a regular basis.

<u>New audit issues</u>

- Audit noted anomalies between the GL received from MF&ED compared with MLPID cashbook and supporting records for Kiritimati.

MLPID Ref			
263	26 June 2008	$200,000	Not listed in the MF&ED GL
294	26 June 2008	$200,000	Double posting in MLPID cashbook
295	12 June 2008	$250,000	As above
378	22 Aug 2008	$300,000	As above
589	13 Nov 2008	$250,000	As above

- There were anomalies for Fanning and Washington as follows:

Posting Date	**Amount**	**Remarks**
Fanning		
24 Sept 2008	$15523.02	Not clear if this has been paid into the bank
24 Sept 2008	$ 765.00	As above
4 April 2008	$ 82,667.59	Not posted in the general ledger
10 April 2008	$ 1685.00	As above
Washington		
Various	$ 1865.00	Various not material

It is understood that MLPID are not allowed to post the receipt directly to attaché. As a consequence of this, the RBC account balances are increasing each year when in fact these accounts being clearing accounts should be at zero.

Recommendations: MLPID should address the deficiencies with RBC and make adjustments where necessary. As a priority MLPID should establish a complete RBC inwards/outwards register and ensure that this is reconciled to the cashbook and bank on a periodic basis.

4.4 Boards of Survey (BOS): Cash and Stamp AO

Under FR Section 341 Boards of survey will be held after the close of business on the last working day and before. Furthermore under FR 342 Boards will also be appointed at irregular intervals during the year to hold surprise surveys.

Findings

Overall we found that BOS were not undertaken annually nor at regular intervals during the year.

The last surprise inspection that we are aware of from the file (LAP 3/40) indicates that a surprise inspection of Customs and post only was undertaken in January 2009. We were advised by the senior Accountant that they have an internal audit position that would normally do this work however this position has been vacant for some time.

My office undertook a surprise BOS as well as reviewing associated controls during our visit in September. The results of this are detailed in the table that follows:

Division	Results	
Customs HQ	• Satisfied with cash count to source records with no anomalies. • Failure to reconcile the cashbook with the bank on a monthly basis. • Monthly revenue data and the total debt owing was not transmitted to Customs HO in Tarawa for 2009.	
Post Office	• Satisfied with the cash count to source records, and • Controls over the stamp imprest were operating effectively.	
MLPD cashier	• Audit noted a variance of $5.05 being a surplus of cash compared to the cashbook and original receipts. This is not material and no action is required.	
Wild Life	• No anomalies.	
Fisheries	• No anomalies.	

Recommendations: MLPID should undertake annual BOS and surprise surveys as detailed in the Finance Regulations.

4.5 Outstanding Special Imprest

An imprest (Sect 221 FR) is a sum of money advanced to an officer to meet expenditure directly connected with the public service for which vouchers cannot be presented conveniently in the normal way. A list of outstanding imprests as provided follows:

2009	$ 14,628.00
2008	$ 13,646.93
2007	$ 19,073.50
2006	$ 895.00
2005	$ 27,855.00
2004	$ 53,220.00
Total	**$ 129,318.43**

As mentioned previously the list abovementioned was only provided to my office on the last day of the audit and as a consequence this was not reviewed.

Clearly the accountable officer should ensure that imprests are retired in a timely manner which clearly this has not occurred.

Recommendations: MLPID should ensure:

- that a complete list of outstanding imprests is maintained and that this is complete, and
- that imprests are retired in a timely manner.

4.6 Arrears of revenue

Under section 65 of the Finance Regulations 1974 (FR) all accountable officers responsible for the collection of revenue are required to submit a return of arrears of revenue to the Accountant General not later than the 31st January. This fundamental control to enhance accountability and transparency has not been complied with in Kiritimati as is the case in Tarawa. For instance the 2008 Annual accounts list no arrears of revenue for the years 2005 to 2008.

Reporting

A summary of the arrears of revenue obtained from the books and records of the following were noted during this audit.

Division	**Amount**	**Revenue**	**Info correct at**	**Period**	**Retired or transferred**[12]
Customs	Unknown	Import Duty & Levies		unknown	
Lands	$816,799.70	Land lease	Aug 09	2000-2009	
MLPID	$1,057,441.09	Electricity bills	Aug 09	Prior years	$6620.90
MLPID	$233,787.42	Water Bills	Aug 09	Prior years	$12,168.23
Taxation	$874,176.21		Dec 07	Prior years	
MLPID	Unknown	House Rent		Unknown	
TOTAL	**$2,982,204.42**				

Where possible my office has tried to verify these account balances however problems were experienced with the adequacy of some of the records and the size of the job at hand. Having said this, it is the accountable officers not my responsibility to ensure the account balances are correct.

The Arrears of Revenue return (FR) is also used to measure the effectiveness of collection of accountable officers, however in the majority of cases we were not aware that officers were being reported this information. Certainly the OIC at Lands was not aware of the total figure during our visit and he advised that this figure was not reported to his Director in Tarawa.

In summary from an accountability perspective

- Parliament – are not informed via the Arrears of revenue return, and
- Accountable Officers – via other reporting mechanisms.

Information System

We were advised by the Senior Accountant that their IT section were currently working on an access database to address the MLPID issues with the manual records particularly with the electricity and the water bills and this is wholeheartedly supported. Having said this we are aware of other Divisions that do not come under the direct control of the MLPID where the Senior Accountant may wish to issue financial instructions on behalf of the Accountant General. Clearly there are synergies and efficiencies that can be obtained where the debts are from the same people or businesses.

Vigorous follow-up

We were also advised of the follow-up processes where

- Offsetting debts from GOK staff via salary deductions,
- Contacting GOK staff who had move to Tarawa and outer islands, and
- In instances stopping supply of water and power.

12 This is where persons have retired from service or have left Kiritimati island.

We however found an overall lack of evidence of vigorous follow-up of outstanding contrary to FR section 64 (1).

Furthermore as there were no follow-up instructions written down when we spoke to many staff it was clear that there was not a common understanding amongst staff of these resulting in inconsistencies.

The role of the finance officer is critical. Amongst other things they must (Temp FR 2 section 4.8) ensure that officers under their control receive clear instructions for carrying out the financial and accounting aspects of their duties. There is a clear need to have instructions issued as per section 16 of the ordinance.

Finally under FR Section 67 the Accountant General is not notified or arrears over six months with the view to court collection, however this has not been complied with.

Recommendations: MLPID and the Senior Accountant should bring all the Kiritimati Ministries and MLPID Divisions together to formulate a consistent approach to address the deficiencies noted. In particular Financial Instructions should be issued in accordance with section 16 of the ordinance to ensure that there is a vigorous and consistent approach to the follow-up of outstanding amounts.

4.6.1 Land Lease

The Lands Division at Kiritimati maintains a database called the Line and Phoenix Land Administration System (LAPLAS) which maintains the records of the land leases. A review of this database noted the following amounts outstanding going back to 2000.

2000	$68,037.93	**2005**	$90,437.03
2001	$78,169.61	**2006**	$89,997.01
2002	$76,709.73	**2007**	$86,524.77
2003	$59,277.92	**2008**	$72,799.43
2004	$85,198.17	**2009**	$109,648.10
		Total	**$816,799.70**

A list of the outstanding land leases for 2009 is at Attachment A[13]. We were advised by the OIC Lands in Kiritimati that there has been no formal action taken in the past for persons and businesses in default. Having said this with the new Minister action has now commenced to resolve these.

4.6.2 Electricity Bills

Audit was provided with a list of outstanding electricity bills as at the end of August 2009 (refer attachment B) totalling $1,057,441.09. This compares to our last audit report figure at July 2007 of $283,105.21. It appears that the last list provided to my office at July 2007 was substantially understated.

13 MLPID Attachments not included in this report.

Revenue	
$969,531.11	List 1
$81,289.08	List 2
6620.90	Move Out
$ 1,057,441.09	

We are aware of instances where power has been disconnected however there was a lack of an audit trail to understand what action has exactly been taken and when.

4.6.3 Water Bills

Audit was provided with a list of outstanding water bills as at the end of August 2009 (refer attachment C) totalling $233,787.42. This is an overall improvement from the last audit where the figure was $314,006.70.

Revenue	
$15937.94	
$205,681.25	
$12168.23	Move Out
$ 233,787.42	

We are aware of instances where water has been stopped however there was a lack of an audit trail to understand what action has exactly been taken and when.

4.6.4 House Rent

Audit was not provided with a list of outstanding house rents.

Recommendations: land lease, Electricity, Water and House rents.
Refer to Arrears of Revenue section.

4.7 Stores

Under Section 10 of the Stores Regulations 1974 every person has a responsibility for the management of stores whereas the accountable officer (Section 11) is responsible for supervision for stores and duties of staff involved in stores. Whilst stores have to be verified at least annually (Section 231) under section 12 the accountable officer shall not solely rely on stock verifiers or BOS but shall occasionally check stores.

Under section 30(i) Non-Expendable – long life items such as safes, furniture, plant are to be maintained in a ledger or the contemporary term, an asset register.

Division	**Asset register**	**Is Assert Register adequate ??**	**Last cash BOS**	**Last stocktake**
Aviation	No	N/A	Unknown	Unknown[14]
MET	Yes	No	N/A	Unknown
Lands	Yes	No	N/A	Never
Wildlife	Yes	No	N/A	Unknown
Tourism	No	N/A	N/A	Unknown
Taxation	Yes	No	N/A	Unknown
Immigration	No	N/A	Unknown	Last year- Internal Audit

[14] OIC was not in attendance during the surprise inspection and did not visit my staff before they left.

Many Divisions did not maintain asset registers and for those that had registers they were either incomplete or out of date. For example:

- Many had not updated new purchases for several years,
- Physical control of some stores rooms were grossly inadequate with some having no doors or locks ,
- Many items were physically not available for audit, having been loaned or issued to staff and friends with no record in the register,
- Some items had been sent for repair (some overseas) years ago with no indication what was currently happening with these assets,
- There were many assets still listed on the register that were no longer in existence, or were obsolete or broken and these should be written-off.

In addition periodic annual stocktakes were not undertaken nor were their periodic checks of the assets during the year. We were advised by the senior Accountant that they have an internal audit position that would normally do this work however this position has been vacant for some time.

Recommendations: MLPID should ensure that stocktakes are undertaken as a minimum on an annual basis and that Divisions have asset registers that are up to date and complete. The accountable officer should discharge his stores responsibilities by conducting his/her own checks.

4.8 Vote Book

It is noted that there have been some outputs were there were overspends of expenditure and shortfalls of revenue as detailed in the table below.

Item	Expenditure		Revenue	
	Actual	Over	Actual	Under
01 Admin & policy development	737,806	(46,314)		
05 Maintenance of infrastructure	444,612	(2,374)		
08 Electricity generation	1,022,484	(14,191)		
09 Water Supply			(45,767)	(4,233)
12 Solar salt	75,986	(1,057)		
14 Civil unit	222,526	(8,619)		

MLPID also had lost the vote book for 2008 so these figures could not be verified.

Recommendations: MLPID should ensure that they tightly control their budget versus actual and safeguard their key accounting records.

2.20. Debt Servicing

The expenditure for debt servicing for 2008 is summarised below.

	2008	2007
Estimate	656,750	2,284,000
Actual	8,200,848	2,284,000
	-7,544,098	0

The above over expenditure of $7.5 m (net) is caused mainly by the insufficient provision/estimate for O/S JPY Commission & Overdraft interest. As per 2008 approved budget the estimate for O/S JPY Commission & Overdraft interest was only $298,750 and $7,856,080 was its actual expenditure at the end of 2008. Estimates for ADB loans and SAPHE project were also provided for but was incorrectly disclosed in the management report. Sub head, 30-71 Interest and principal, was not stated in the 2008 Approved budget, meaning it was not budgeted for.

2.21. Other Government Expense

The purpose of the above account is to cater for payment of expenses that have no direct link to ministries' activities but considered essential for the national interest. The summary for Other Government Expense account is presented below.

	2008	2007
Estimate	13,892,278	13,068,163
Actual	13,836,278	12,376,063
(Over)/under	56,000	692,100

The original budget for the above account was $10,913,163, but increased to $13,892,278 following Parliament approval of its supplementary appropriation during the year of $2,979,115. However, it was noted that the actual expenditure includes the total sum of $96,617[15] which are not budgeted for and a negative figure of $3,280.

Audit notes other anomalies in respect of some expenses as detailed below.

2.21.1. *Copra Subsidy*

The supplementary for copra price subsidy was deemed too excessive in that $549,712 from the revised budget was not used.

2.21.2. *Senior Citizen Benefit*

The supplementary in respect of the above account coded 31-96-50 of $84,000 was not necessarily required as the original budget of $984,000 exceeds the actual expenditure of $$905,660 by $78,340. A separate audit report on this will be completed in January next year.

2.21.3. *Government Outstanding Debts with KSCL*

Expense account: 31-18-50 with original budget of $150,000 was injected with another $150,000 during the Parliament session in April 2008. At the end of the year the actual expense was just over $1,000. In other words, from the total approved budget of $300,000

[15] Refer to account # 31-04-55, 31-06-50, 31-09-50, 31-32-70 and 31-96-30

only $1,036 was used. This is simply a waste of Parliament time in discussing and approving such expenditure and to increase the budget for 2008 unnecessarily.

2.21.4. *Land Rent*

The budget for Land rent for 2008 was $1,770,163 and the actual rent payment was $424,662. This is highly unlikely to the case as only a few land owners would not be able to collect the proceeds from their land. A separate audit report will be completed in January next year.

2.21.5. *Government Building repairs and maintenance*

As a usual practise, the budget for building repairs and maintenance is based on the activities to be carried during the year. That is the budget for building repairs and maintenance of $500,000 should cover expenses for all activities for each year. In other words the $500,000 should be spent on activities planned for that year.

Since only $397,676 was spent, one would conclude that either all activities for 2008 were not carried out during 2008 or the budget was just inflated to $500,000.

In view of the above, the Subsidies, Grants and other commitment account has not been properly controlled. The supplementary appropriations when submitted to parliament for approval should have been properly prepared and based on the realistic amount or actual activities to be undertaken during the year.

3. Appendices

3.1. Appendix A: 2008 Revenue Shortfall

Output	Approved Budget	Actual	Shortfall
Judiciary			
1103	5000	400	4600
Total	5,000	400	4,600
Police and Prisons			
1204	30,000	988	29,012
			0
Total	30,000	988	29,012
Min of Internal and Social Affairs			
1507	500	25	475
1508	32,300	3,469	28,831
Total	32,800	3,494	29,306
Ministry of Commerce			
1803	31,300	30,468	832
Total	31,300	30,468	832
KNAO			
1901	17,500	17,000	500
1902	47,500	0	47,500
1903	10750	1500	9,250
Total	65,000	17,000	48,000
OAG			
2001	3,000	2,054	946
Total	3,000	2,054	946
Fisheries and Marine Resources			
2503	99,500	93,254	6,246
Total	99,500	93,254	6,246
Ministry of Health			
2205	960	0	960
2208	2600	0	2,600
2209	24000	0	24,000
2210	13860	10324	3,536
2211	150	0	150
Total	41,570	0	41,570

Ministry of Education			
2304	35000	13582	21418
2,305	17,000	6,450	10550
2308	85000	15876	69124
2212	20500	5307	15193
Total	157,500	41,215	116,285
Min of Information and Communication			
2402	20,000	0	20,000
2404	6,500	205	6,295
2408	85,000	33,422	51,578
2409	120,500	106,696	13,804
Total	232,000	140,323	91,677
Ministry of Works			
2708	50,000	6,279	43,721
2709	33,000	24,482	8,518
Total	83,000	30,761	52,239
Ministry of labour			
2802	2,030	325	1,705
2803	60,110	14,664	45,446
Total	62,140	14,989	47,151
Lines and Phoenix			
2909	50,000	45,767	4,233
Total	50,000	45,767	4,233

3.2. Appendix B: Over Expenditure

Output	Approved Budget	Actual To Date	Over Expenditure
PSO			
1001	370143	377064	6921
1003	114306	132493	18187
1104	0	130	130
Total	484,449	509,687	25,238
Judiciary			
1101	400,889	408,976	8,087
Total	400,889	408,976	8,087
Police and Prison			
1201	1,653,326	1,655,583	2,257
1202	260,053	262,331	2,278
1206	2,936,026	2,940,790	4,764
Total	4,849,405	4,858,704	9,299
Public Service Commission			
1301	214,928	219,601	4,673
			0
Total	214,928	219,601	4,673
Foreign Affairs and Immigration			
1402	124,401	129,057	4,656
Total	124,401	129,057	4,656
Ministry of Internal and Social Affairs			
1503	1,130,051	1,133,220	3,169
1505	520,470	521,793	1,323
1506	161,227	164,916	3,689
1507	130,304	133,156	2,852
Total	1,942,052	1,953,085	11,033
Ministry of Environment, Lands and Agriculture			
1602	0	100	100
1605	0	230	230
1606	0	57	57
Total	0	387	387
Maneaba ni Maungatabu			
1701	707,553	759,226	51,673
1702	1,435,592	1,534,614	99,022
1703	123,337	128,241	4,904
Total	2,266,482	2,422,081	155,599

Ministry of Commerce, Industry and Cooperatives			
1801	407,247	410,421	3,174
1806	109,222	110,027	805
1807	0	400	400
Total	516,469	520,848	4,379
KNAO			
1903	76,355	80,264	3,909
Total	76,355	80,264	3,909
Office of Attorney General			
2003	20,080	23,409	3,329
2004	0	70	70
Total	20,080	23,479	3,399
Ministry of Fisheries and Marine Resource Dev			
2102	0	2,155	2,155
Total	0	2,155	2,155
Ministry of Health and Medical Services			
2201	1,867,321	2,051,150	183,829
2202	1,421,461	1,893,102	471,641
2203	366,870	368,151	1,281
2204	2,461,230	2,709,120	247,890
2205	408,142	468,498	60,356
2207	3,107,220	4,418,280	1,311,060
2209	405,511	570,831	165,320
2210	337,864	612,861	274,997
2213	0	102,591	102,591
2214	0	45,590	45,590
2215	0	444,877	444,877
2216	0	11,709	11,709
Total	10,375,619	13,696,760	3,321,141
Ministry of Education			
2304	1,382,720	1,550,122	167,402
2309	0	2,146	2,146
2312	345,139	369,557	24,418
2315	0	43,480	43,480
Total	1,727,859	1,965,305	237,446
Ministry of Comm, Transport & Tourism			
2401	601,035	682,469	81,434
Total	601,035	682,469	81,434
Ministry of Finance and Economic Planning			
2501	550,525	565,766	15,241
2503	87,133	97,891	10,758

2504	239,722	265,470	25,748
2506	420,404	495,288	74,884
Total	1,297,784	1,424,415	126,631
Ministry of Public Works & Utilities			
2701	514,218	537,369	23,151
Total	514,218	537,369	23,151
Ministry of Labour and HRD			
2801	515,439	519,041	3,602
Total	515,439	519,041	3,602
Ministry of Line and Phoenix Islands Dev			
2901	691,492	737,806	46,314
2905	442,238	444,612	2,374
2908	1,008,293	1,022,484	14,191
2912	74,929	75,986	1,057
2914	213,907	222,526	8,619
Total	2,430,859	2,503,414	72,555
Debt Servicing			
300103	38,000	56,125	18,125
300105	49,000	95,136	46,136
300107	63,000	81,071	18,071
300108	298,750	7,856,080	7,557,330
Total	448,750	8,088,412	7,639,662
Other Government Expenses			
310455	0	22,750	22,750
310550	120,000	122,367	2,367
310650	0	57,705	57,705
310750	980,000	984,026	4,026
310950	0	7,240	7,240
313270	0	42	42
315120	29,000	2,456,563	2,427,563
315450	99,000	108,395	9,395
315750	10,000	10,590	590
319630	0	8,880	8,880
Total	1,238,000	3,778,558	2,540,558

Total : $14,278,994

3.3. Appendix C: Savings

Savings

OB	78,723
PSO	28,086
Judiciary	102,679
Police and Prison	33,735
Foreign Affairs & Immigration	134,688
MISA	58,843
MELAD	106,389
MCIC	57,421
KNAO	31,741
OAG	51,469
MFMRD	141,244
MHMS	570,553
MEDUCATION	731,099
MCTTT	98,838
MFED	38,130
MPWU	322,885
MLHRD	175,556
MLPID	26,249
Debt Servicing	95,564
Other GOK Expenses	2,596,558
Total	**5,480,450**

3.4. Appendix D: Mispostings

Mispostings

Outputs	Expense	Revised Budget	Actual Expenditure
12 Police and Prison	01 -70 One off Expense		2163
	02- 70 one off expense		862
	03 - 70 One Off		681
	04- 70 One off		37
	05- 70 One off		1449
	06 - 70 One off		3171
14 Foreign Affairs	03- 82 Relocation	5066	
15 MISA	03 - 35 External Travel & Trans	2057	
	04 - 21 Salaries		2458
	06 - 23 Allowance	2516	
	04 - 20 KPF		19
20 OAG	01 - 25 Tempo		411
22 MHMS	01- 70 One off		2194
	02 - 70 One off		3777
	03 - 70 One off		1661
	04 - 70 One off		515
	04 - 64 Communication Charge		130
	05- 27 Leave Gra	4700	
	05 - 70 One off		230
	06 - 70 One off		520
	09 - 70 One off	12,292	12292
	10 - 70 One off		852
	11 - 70 One off		2675
	12 - 70 One off		130
	14 - 70 One off		130
23 MEY	01 - 52 Cleaning	244	
	03 - 30 internal trans	603	603
28 MLHRD	06 - 41 Entertainment		
29 MLP	08 - 40 Direct Purchase		1571
	96- 70 Special Expenditure		3280
Total		**27,478**	**41,811**